

Message Text

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ACTION EB-07

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AMCONSUL LUANDA
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EO 11652: NA

TAGS: ETRD EAGR CO

SUBJ: COFFEE: COLOMBIAN REACTION TO ICA NEGOTIATIONS

REF: LONDON 5906

1. SUMMARY - THE COLOMBIAN REACTION TO THE LONDON NEGOTIATIONS REFLECTS COLOMBIA'S LEADING PARTNERSHIP WITH BRAZIL IN THESE NEGOTIATIONS. THIS POSITIVE ASPECT IS TEMPERED BY GROWING CONCERN OVER FALLING COFFEE EXPORTS. COFFEE AND ITS FUTURE MAY BE ON THE WAY TO REGAINING PREDOMINANCE IN COLOMBIAN AFFAIRS.

2. REACTION IN COLOMBIA TO THE LONDON NEGOTIATIONS HAS BEEN POSITIVE, WITH DUE ATTENTION PAID TO THE BRAZILIAN-COLOMBIAN PROPOSAL TABLED AT THE MEETING AND TO THE UPBEAT JOINT PRESS COMMUNIQUE ISSUED BY THE SAME TWO COUNTRIES AT ITS CONCLUSION.

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STORIES WRITTEN HERE DURING THE NEGOTIATIONS TENDED TO BE MORE

POSITIVE AND OPTIMISTIC THAN REPORTS FROM LONDON BY THE VARIOUS WIRE SERVICES. A LOCAL SPOKESMAN FOR THE NATIONAL COFFEE FEDERATION ECHOED THE JOINT COMMUNIQUE BY SAYING THE TALKS IN LONDON "HAVE TERMINATED WITHOUT AGREEMENT, BUT WITH VERY POSITIVE ADVANCES." THE SPOKESMAN SAID BOTH CONSUMERS AND PRODUCERS AGREED ON THE NEED TO CREATE A RESERVE COFFEE SUPPLY, THAT INITIALLY COULD BE 10 MILLION BAGS, BUT THAT THEY DISAGREED ON ITS FINANCING. ANOTHER CITED DIFFERENCE, IN ADDITION TO PRICE LIMITS AND GUARANTEES, AND QUOTA LEVELS AND ADJUSTMENTS, WAS THE PRODUCERS PROPOSAL FOR AUTOMATIC PRICE REVISIONS IN CASE OF WORLDWIDE MONETARY DETERIORATION OR DOLLAR DEVALUATION. REFERENCES TO THE US PROPOSALS WERE POSITIVE IN THE SENSE OF WELCOMING A SERIOUS RESPONSE FROM THE LEADING CONSUMER. THE OVERALL TONE IS ONE OF AN IMPORTANT BEGINNING.

3. MIN OF FINANCE BOTERO DAMPENED THE GENERAL ENTHUSIASM A BIT BY NOTING THAT THE EFFECTS OF ANY NEW COFFEE AGREEMENT EVENTUALLY CONCLUDED WOULD NOT BE FELT BEFORE 1977. UNTIL THEN, HE SAID, THE COFFEE OUTLOOK IS UNCERTAIN AND PRICES "WILL BE SUBJECTED TO THE UPS AND DOWNS OF SUPPLY AND DEMAND". THE MINISTER NEVERTHELESS ADDED THAT THE GOVERNMENT HAS HIGH HOPES THAT THE BRAZILIAN-COLOMBIAN PROPOSAL WILL LEAD TO A SYSTEM GUARANTEEING PRICE STABILITY.

4. REDUCED COFFEE EXPORTS DURING THE FIRST HALF OF THE CURRENT COFFEE YEAR, DOWN 900,000 BAGS FROM THE COMPARABLE PORTION OF THE OCT 1973-SEPT 1974 RECORD YEAR, IN COMBINATION WITH RECENTLY FALLING PRICES FOR COLOMBIAN COFFEE, ARE THE SUBJECT OF SERIOUS CONCERN. DURING THE LONDON MEETINGS THE GOVERNMENT, WITH THE SUPPORT OF THE COFFEE FEDERATION, LOWERED THE INTERNAL SUPPORT PRICE FOR COFFEE, INCREASED THE PERCENTAGE OF COFFEE EXPORTS THAT MUST BE RETAINED IN COLOMBIA, AND REDUCED THE FOREIGN EXCHANGE REPATRIATION REQUIREMENT FOR EXPORTS. THESE MEASURES ALL RECOGNIZE THE WEAKENING OF THE COFFEE MARKET AND GIVE THE GOC MORE INCENTIVE TO SEEK A NEW INTERNATIONAL AGREEMENT. IN FACT FORMER PRESIDENT CARLOS LLERAS, IN HIS INFLUENTIAL MAGAZINE, RECENTLY TOOK THE GOVT TO TASK FOR NOT GIVING COFFEE THE PRIORITY ATTENTION IT DESERVES. IT IS INTERESTING FOR THE FOREIGN MINISTER TO DISCUSS CUBA AND THE PANAMA CANAL WITH SECRETARY KISSINGER, HE SAID, BUT WHAT IS REALLY VITAL

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TO COLOMBIA'S INTERESTS IS COFFEE. SINCE RETENTION SCHEMES AMONG PRODUCERS HAVE NOT WORKED, ACCORDING TO LLERAS, AND WITH BRAZIL AND COLOMBIA BOTH GIVING SIZEABLE DISCOUNTS FROM REPORTED NEW YORK PRICES, THE IMPORTANCE OF A NEW INTERNATIONAL AGREEMENT IS APPARENT.

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